

**Delaware Health Resources Board
Nationwide Healthcare Review Committee Meeting Minutes
Friday, October 13, 2017 1:00 PM
Edgehill Shopping Center Division of Public Health
Large Training Room
43 South Dupont Highway Dover, DE 19901**

Review Committee Members Present:

Mark Thompson Chair, John Walsh and Theodore (Ted) Becker.

Staff Present:

Paige Schmittinger and Latoya Wright.

Call to Order and Welcome

The meeting of the Review Committee for Nationwide Healthcare (Nationwide) was called to order at 1:08 p.m.

Review of August 31, 2017 Meeting Minutes

The meeting minutes were reviewed. Mark Thompson made a motion to approve the minutes. Ted Becker seconded the motion; there was a voice vote, no abstentions, no opposing. Motion carried.

Review of Follow up Questions/Responses

The Review Committee reviewed the responses to the questions that were sent to Nationwide from the August Review Committee meeting. Those questions/responses were as follows:

1. The application states the nursing home will occupy 58,000 square feet of the 222,500 square feet of the facility. Is Nationwide going to reserve the remaining space for future expansions?

Response: At this time, Nationwide is seeking approval for 150 beds through the Application. The Review Committee is correct that this will occupy 58,000 square feet of the 222,500 square feet available in the building. Nationwide has plans for some, but not all, of the remaining space, which will leave some space available to pursue additional skilled care beds at a later date if it is determined that would be the most needed use for the space. The fourth floor in particular, which currently is designated as simulation space, could be converted easily into additional skilled care space, if needed in the future.

2. Does Nationwide have agreements with palliative care providers?

Response: Yes, Nationwide offers palliative and end-of-life care based on the individual wishes of the resident and family members through both facility-based practices and protocols, as well as through contractual arrangements with providers of Hospice and palliation services.

3. Will this proposed project integrate the skilled nursing care with behavioral health and substance abuse health? Does this application address these issues?

Response: Nationwide currently provides behavioral health services through facility based practices and through coordination with local hospitals and psychiatrists/psychologists. Nationwide would continue this practice at the new location, addressing that specific population need in coordination with similar local providers.

Substance abuse health may be addressed at various stages of an individual's recovery with specifically trained and licensed providers. During an individual's recovery, Nationwide provides skilled nursing care needs appropriate for the individual and the stage of their recovery. As it does with its existing facilities, Nationwide also looks to coordinate very closely with providers of Behavioral Health and Substance Abuse to integrate our services when individuals may need those services as they progress through their recovery.

4. Please provide clarity on all diagnostic services provided by Nationwide. Does Nationwide perform these services or are they contracted out to other providers? This includes dialysis services as well.

Response: Nationwide makes available any diagnostic service required to meet the needs of our residents through various means, primarily through contracted providers. For example, many key diagnostics, such as lab and x-ray, are performed at the facility through contractual arrangements. If a diagnostic is required that cannot be performed at the facility, such as an MRI, Nationwide coordinates with local hospitals and other providers to perform the required test. In regards to dialysis, all residents requiring hemodialysis are treated offsite at local dialysis treatment centers. Nationwide has accommodated certain residents utilizing peritoneal dialysis on-site within our facility through contractual arrangements with dialysis providers.

The Review Committee was satisfied with the responses provided by Nationwide.

Staff and the Review Committee reviewed the draft report and the review considerations which will be submitted to the Board at the next Health Resources Board meeting.

Review Considerations

The Review Committee reviewed the following criteria for the proposal to determine whether the application meets or does not meet each criterion.

Criterion I: The relationship of the proposal to the Health Resources Management Plan (HRMP)

It was discussed that the application demonstrated the consideration of access, cost, and quality of care. Regarding the access, it was stated, the nursing facility will enhance access for service

residents, and address the need for skilled nursing facilities. Nationwide will utilize as much of the existing Milford Memorial Hospital building as possible. They expect many of the residents will be dual eligible (Medicare/Medicaid). The Review Committee stated they affirm their decision at the August 31st meeting that the application meets this criterion.

The Review Committee agreed the application meets criterion I.

Criterion II: The need of the population for the proposed project

The application noted the need for the proposed services. According to most recent data in the 2016 Delaware Nursing Home Utilization Report, the number of admissions to private nursing homes in Sussex County is 59.2%. The 2016 bed need projections presented to the Board on September 28th projected a statewide shortage of nursing homes beds with a 229 shortage in Sussex County.

It was stated that testimony provided at the public hearing held on September 25, 2017 from a representative from Genesis Healthcare stated all three of their facilities in Sussex County, Milford Center, Seaford Center and Lofland Park has seen a decrease in overall occupancy. It was stated the Seaford Center is participating in a CMS demonstration project for bundled payment and that bundled payment is moving toward a value-based system for reimbursement. It was noted the facilities are experiencing decreased lengths of stay moving those patients through the continuum much faster than before. Testimony also provided indicated the facilities are seeing a diversion of patients seeking services that are offered out into the community.

There was also testimony stating there is a concern for the new facility located in the Milford area duplicating existing services. Genesis Healthcare facilities currently provide dementia services. The Seaford Center has a 26 bed specialized care unit providing care for the memory impaired. The Lofland Park facility has a 20 bed unit.

There was a reference to the occupancy rates for those facilities which are listed in the 2016 Delaware Nursing Home Utilization Statistics Report. Sussex County's weighted occupancy rate averaged 88.7%. Lofland Park's occupancy rate was 93.9%, Milford Center, 93.8% and Seaford Center, 88.2%.

Testimony at the public hearing from a representative from Cadia Healthcare questioned the need for the proposed project and the bed need projections. It was stated the weighted occupancy rates in Sussex County has declined to less than 90% in 2015. Data indicates that the licensed bed capacity was sufficient to meet patient needs without the need of additional beds.

Testimony also disputed the need based on population growth. It was noted in 2014 and 2015 there was a declining trend. Cadia stated they are experiencing lower occupancy levels and understand the state and federal government are attempting to reduce long-term health care costs. Strategies have been implemented such as managed care by Medicaid and home health care services. These approaches shift the patient from an acute environment in which this the trend will continue. Testimony stated the occupancy rates are below 90% for Cadia's facilities (surrounding nursing homes) which dispute the need for an additional nursing home.

Testimony provided on behalf of Bayhealth supported the need for the nursing home. Bayhealth stated the proposal supports the triple aim which is consistent with their mission to strengthen the health of the community. It was noted, additional Alzheimer's and dementia beds are needed in the area. The increasing population and the growth that exists in the community supports the need.

Eden Hill provided testimony that stated they were initially concerned of duplication of services due to proximity and overlapping of services. They have reflected upon the projected bed need of both Kent and Sussex Counties, review the application and speak to Nationwide representatives about the new facility. They stated Nationwide informed them they will focus on long term care and will be committed to accept patients that not be accepted at other facilities. Eden Hill noted that Nationwide was diligent in speaking with stakeholders in Milford to ensure the facility will fit the needs of the community. Ensuring Nationwide's intention is not duplicate services offered in Dover, Eden Hill therefore supports Nationwide's application.

The Review Committee stated they affirm their decision at the August 31st meeting that the application meets criterion II.

Criterion III: The availability of less costly and/or more effective alternatives to the proposal, including alternatives involving the use of resources located outside the State of Delaware.

The application stated there are no reasonable substitutes for skilled nursing and rehabilitation facilities. Home care is a less expensive delivery model, but is not adequate for the level of acuity of patients recently discharged from the hospital who are unable to function at home without constant supervision or special equipment. Acute care, while an adequate delivery model, can be three to four times as expensive as a skilled facility. Assisted living facilities are generally not equipped to handle subacute patients as they are intended for a more independent lifestyle, and costs can be higher than in a subacute setting.

The Review Committee stated they affirm their decision at the August 31st meeting that the application meets criterion III.

Criterion IV: The relationship of the proposal to the existing health care delivery system.

The proposed skilled nursing facility is the result of strategic facility assessments and master planning by Nationwide. Negotiations with Bayhealth for the sale of the properties in the Clarke Avenue Campus were careful, precise, and directly responsive to the question of what would and would not be part of the new Wellness Village so there would be no duplications with the Bayhealth Sussex Campus, resulting in an integrated and efficient healthcare delivery system.

Through its Ancillary and Clinical Services division, Bayhealth is organizing post-acute care for its ancillary service lines, consisting of Orthopedics, Cardiovascular, Neurosciences, Oncology, and Rehabilitation Services with bundled payments in mind. Bundled payments involve reimbursement to providers according to expected costs for clinically defined episodes

of care. Bayhealth and Nationwide are in discussions regarding clinical integration for Nationwide's nursing home services. It is expected that healthcare third party tenants of the Wellness Village will also be included in the clinically integrated network, allowing for efficient and seamless care under the emerging handled care reimbursement environment. Nationwide states the proposed facility will ease the burden on existing facilities.

It is anticipated that adding beds to the existing supply will have a minimal impact on existing providers because those providers are currently operating at or near capacity, as noted above. Also, as noted above, there is currently a shortage of skilled nursing beds in Sussex County. Delivering a new supply of subacute beds will relieve much of the stress currently felt in the healthcare continuum. Hospitals will be able to discharge patients more easily out of the high- cost acute setting into the lower-cost subacute setting. Due to the high occupancy of the existing subacute facilities, hospital discharges are often delayed, increasing healthcare costs. The following payers are currently contracted with Nationwide: Highmark, United Healthcare, Medicare, Blue Cross/Blue Shield Commercial, Cigna, Cigna Health spring, Humana, Life, Life LTC, Tricare, and Aetna.

The Review Committee stated they affirm their decision at the August 31st meeting that the application meets criterion IV.

Criterion V: The immediate and long-term viability of the proposal in terms of the applicant's access to financial, management and other necessary resources.

It was stated Nationwide have previously demonstrated its ability to plan, develop, build, and operate quality healthcare facilities. As a result, Nationwide has relationships with several lending institutions that have financed its projects in the past and have expressed a high level of interest in financing the proposed project. The estimated financial capital required to fund the skilled nursing facility construction is \$4.5 million, which will be funded through a conventional mortgage and a line of credit. As shown in the enclosed financial projections, this should be sufficient to cover the capital costs of this project. Nationwide is prepared to purchase the property and renovate the space for its skilled nursing facility. Subsequent to those activities, Nationwide is prepared to renovate space for other tenants as leases are signed. Nationwide has engaged Dynamis Advisors Inc. To provide development and management services. Dynamis has 21 years of experience designing and financing large projects nationally, with a special emphasis on healthcare-focused communities. Nationwide and Dynamis have the manpower necessary to manage the development process and the facility.

Written comments submitted on behalf of Cadia Healthcare and Genesis Healthcare stated that due to the redaction of the Agreement of Sale, this limits the public's right to know what is included if Nationwide seeks reimbursement under the Medicaid and Medicare programs for the nursing home. It was stated the public has the right to know, if and what extent, the cost of the portions of the Wellness Village beyond the nursing home will be reimbursed by Medicaid nursing home program funds. The application should identify and describe the entity that will

own, develop and rent out the Wellness Village (including the nursing home property). The economic terms of the proposed lease of the nursing home to its operator and the nursing home's contributions towards the costs of other portions of the Wellness Center should be set forth. It was also noted, it is important to have a commitment and restrictive covenant from the applicant (including the entities that will actually own and operate the nursing home and Village). If the application is approved, the capital expenditure eligible for Medicaid and Medicaid reimbursement will not exceed \$6,014,000 which is stated in the application as being the maximum capital expenditure for the nursing home.

Testimony at the hearing provided by Nationwide stated that as with their other facilities, there are a number of payers they will be work with in respect to the nursing home, and the same will be true for their tenants with respect to the Wellness Village. Whether that is Medicaid, Medicare, Highmark, Aetna or another payer, the payers will determine what is reimbursable. Also Nationwide noted, the application is seeking approval only for 150 skilled nursing beds, including a memory care unit. The skilled nursing facility will stand on its own and is the only aspect of the proposal requiring approval from the HRB.

The Review Committee stated they affirm their decision at the August 31st meeting that the application meets criterion V.

Criterion VI: The anticipated effect of the proposal on the costs of and charges for health care.

The application for the proposed project includes the following projected costs during its first full year of operations:

Financial Impact (first full year of operations):

Estimated effect on annual expenses:	\$ 6,894,570
Estimated effect on annual revenue:	\$ 6,453,767
Estimated effect on individual charges:	\$ N/A

It was noted, because the Nationwide Nursing Home will provide capacity to accept patients in a timely manner from local hospitals, Nationwide anticipates the facility will have a positive impact on healthcare costs by providing a conduit for moving patients from a higher cost setting to a lower cost setting in a faster time frame than the system has been able to accommodate in the past.

It was noted that Schedule 4-Statement of Revenue and Expenses were included in the application for further detail. Nationwide generally operates off a calendar year as its fiscal year. For purposes of the application, however, given the anticipated May 1, 2019 start date, numbers have been based on the timeframes from May 1, to April 30th.

The Review Committee stated they affirm their decision at the August 31st meeting that the application meets criterion VI.

Criterion VII: The anticipated effect of the proposal on the quality of health care.

The proposed project will have a positive impact on the quality of health care, including:

- A wide array of daily activities, based on the interests and abilities of the residents, designed to exercise the mind and body, embrace the spirit, and foster friendships
- Nursing Programs
- Transition of Care Program to assist patients through the transition from an acute care hospital setting to the skilled nursing facility and ultimately through their discharge to home
- Memory Care Unit, including specialized programs for residents coping with dementia Alzheimer's, and traumatic brain injury and other programs contributing to the quality of care.

The application noted the proposal will have a positive impact on the quality of health care to include a wide array of activities and services to include, memory care, respiratory programs, a transition of care program, rehabilitation services and diagnostic services. The Nationwide nursing home will offer vast improvements in the delivery of skilled and rehabilitation services. In an effort to advance Delaware's State Plan to address Alzheimer's disease, the new facility will offer specialized programs for dementia and Alzheimer's residents based on their interests and abilities.

It was noted that the Review Committee wanted to wait until the responses were received from the follow up questions as a result of the meeting on August 31st before voting on criterion VII at that meeting.

The Review Committee agreed the application meets criterion VII.

There was a question as to when the Bayhealth Replacement Hospital in Milford will be complete. Staff noted they will follow up with that inquiry and provide that information to the Committee members. The Chair of the Review Committee wanted to make a note for the record that he appreciated the staff, the Committee members, the DAG, Nationwide and all other entities that provided comment regarding this application.

Action

The Review Committee voted to recommend approval of Nationwide's application to construct a 150 bed skilled nursing facility in Milford, DE with the condition that Nationwide will agree to participate in the DHIN (Delaware Health Information Network). Staff will ensure the language for the condition is consistent with prior applications from entities that were approved with the same condition.

Next Steps

The Board will vote on the application at the October 19, 2017 Health Resources Board meeting.

Adjourn

The meeting adjourned at 1:44 p.m.

Guests Attending

Lindsay Orr
Ann Molesevich
Tom McGonigle
Dean Pletz

Drinker Biddle
Nationwide Healthcare
Drinker Biddle
Onix Group